

Types and Forms of Organizational Change

Learning Objectives

- Understand the relationship among organizational change, redesign, and organizational effectiveness
- Distinguish among the major forms or types of evolutionary and revolutionary change organizations must manage
- Recognize the problems inherent in managing change and the obstacles that must be overcome

Learning Objectives

- Describe the change process and understand the techniques that can be used to help an organization achieve its desired future state

What is Organizational Change?

- Organizational change: The process by which organizations move from their present state to some desired future state to increase their effectiveness
 - Goal is to find improved ways of using resources and capabilities in order to increase an organization's ability to create value

What is Organizational Change? (cont.)

- Targets of change include improving effectiveness at four different levels
 - Human resources
 - Functional resources
 - Technological capabilities
 - Organizational capabilities

Targets of Change: Human Resources

- Typical kinds of change efforts directed at human resources include:
 - Investment in training and development
 - Socializing employees into the organizational culture
 - Changing organizational norms and values to motivate a multicultural and diverse workforce
 - Promotion and reward systems
 - Changing the composition of the top-management team

Targets of Change: Functional Resources

- Change efforts directed at functional resources by transferring resources to the functions where the most value can be created in response to environmental change
- An organization can improve the value that its functions create by changing its structure, culture, and technology

Targets of Change: Technological Capabilities

- Change efforts directed at technological capabilities are intended to give an organization the capacity to change itself in order to exploit market opportunities
- Technological capabilities are a core competence

Targets of Change: Organizational Capabilities

- Change efforts directed at organizational capabilities alter organizational culture and structure
 - Permitting the organization to harness its human and functional resources to exploit technological opportunities

Forces for Change

- Competitive forces: Organization must make changes to attempt to match or exceed its competitors on at least one of the following dimensions:
 - Efficiency
 - Quality
 - Innovation

Forces for Change (cont.)

- Economic, political, and global forces: affect organizations by forcing them to change how and where they produce goods and services
 - Need to change organizational structure to:
 - Allow expansion in foreign market
 - Adapt in a variety of national cultures
 - Help expatriates adapt to the cultural values of where they are located

Forces for Change (cont.)

- Demographic and social forces: Changes in the composition of the workforce and the increasing diversity of employees has presented many challenges for organizations
 - Increased need to manage diversity

Forces for Change (cont.)

- Ethical forces: Government, political, and social demands for more responsible corporate behavior
 - Creation of ethics officer position
 - Encourage employees to report unethical behaviors

Resistances to Change

- One of the main reasons for some organizations' inability to change is organizational inertia that maintains the status quo
- Resistance to change lowers an organization's effectiveness and reduces its chances of survival

Resistances to Change (cont.)

- Organization-level resistance to change stems from:
 - Power and conflict
 - When change causes power struggle and conflicts, there is resistance
 - Differences in functional orientation
 - Mechanistic structure
 - Organizational culture

Resistances to Change (cont.)

- Group-level resistance to change stems from:
 - Group norms
 - Group cohesiveness
 - Groupthink
 - Escalation of commitment

Resistances to Change (cont.)

- Individual-level resistance to change stems from:
 - Uncertainty and insecurity
 - Selective perception and retention
 - Habit

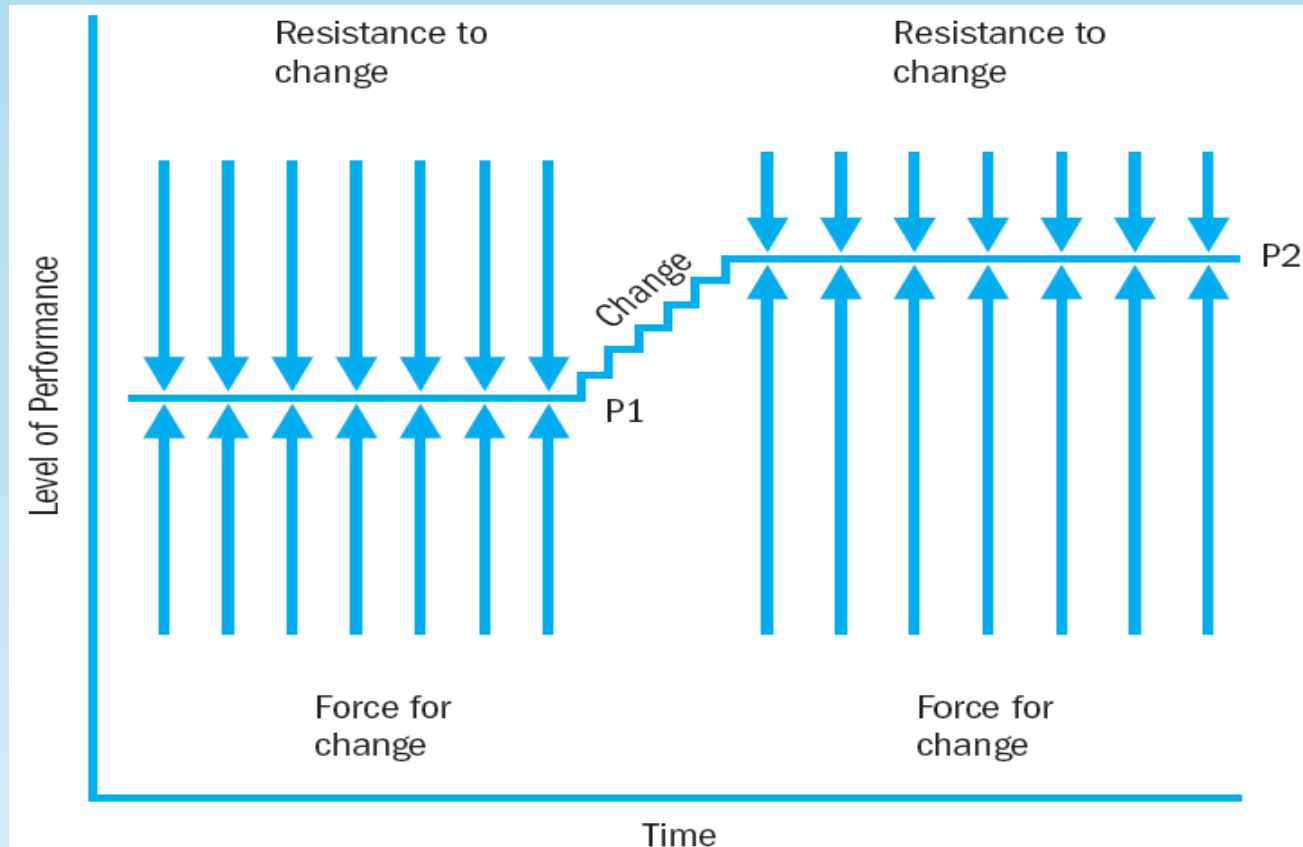
Figure 10.1 – Forces for and Resistances to Change

Forces for Change	Resistances to Change
Competitive Forces	Organizational Level
Economic Forces	• Structure
Political Forces	• Culture
Global Forces	• Strategy
Demographic Forces	Functional Level
Social Forces	• Differences in Subunit Orientation
Ethical Forces	• Power and Conflict
	Group Level
	• Norms
	• Cohesiveness
	• Groupthink
	Individual Level
	• Cognitive Biases
	• Uncertainty and Insecurity
	• Selective Perception and Retention
	• Habit

Levin's Force-Field Theory of Change

- This theory of change argues that two sets of opposing forces within an organization determine how change will take place
 - Forces for change and forces making organizations resistant to change
 - When forces for and against change are equal, the organization is in a state of inertia
 - To change an organization, managers must increase forces for change and/or decrease forces resisting change

Figure 10.2 – Levin's Force-Field Theory of Change



Types of Change in Organizations

- Evolutionary change: Change that is gradual, incremental, and narrowly focused
- Revolutionary change: Change that is sudden, drastic, and broadly focused

Developments in Evolutionary Change

- Sociotechnical systems theory: A theory that proposes the importance of changing role and task or technical relationships to increase organizational effectiveness
 - Managers must fit or “jointly optimize” the workings of an organization’s technical and social systems or culture—to promote effectiveness
 - Managers need to make changes in the technical system slowly to allow group norms and cohesiveness are not disrupted

Developments in Evolutionary Change (cont.)

- Total quality management (TQM): An ongoing and constant effort by all of an organization's functions to find new ways to improve the quality of the organization's goods and services
 - Quality circles: Groups of workers who meet regularly to discuss the way work is performed in order to find new ways to increase performance
 - Changing cross-functional relationships is very important to TQM

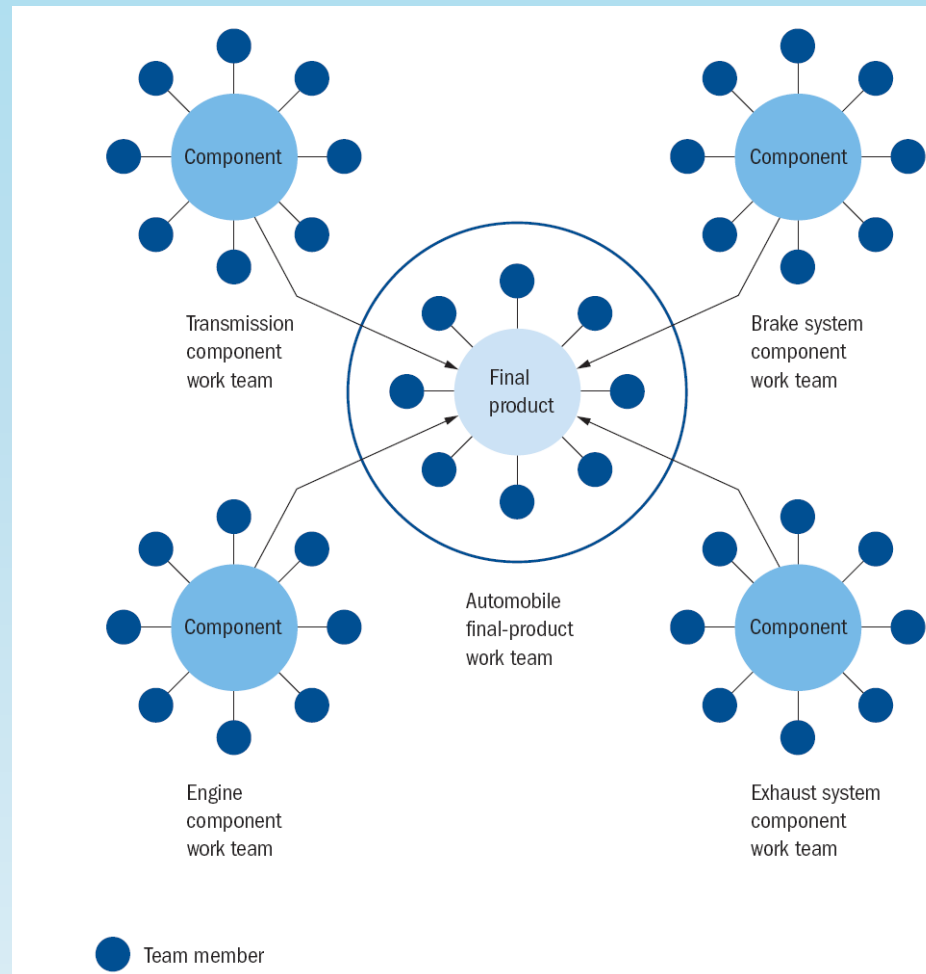
Developments in Evolutionary Change (cont.)

- Flexible workers: Employees who have acquired and developed the skills to perform any of the tasks necessary for assembling a range of finished goods
 - Compensation frequently tied to the number of different tasks that a person can perform
 - Workers can substitute for one another

Developments in Evolutionary Change (cont.)

- Flexible work teams: A group of workers who assume responsibility for performing all the operations necessary for completing a specified stage in the manufacturing process
 - Team members jointly assign tasks and transfer workers from one task to another
 - Manager's role is to facilitate the team's activities

Figure 10.3 – The Use of Flexible Work Teams to Assemble Cars



Developments in Revolutionary Change – Reengineering

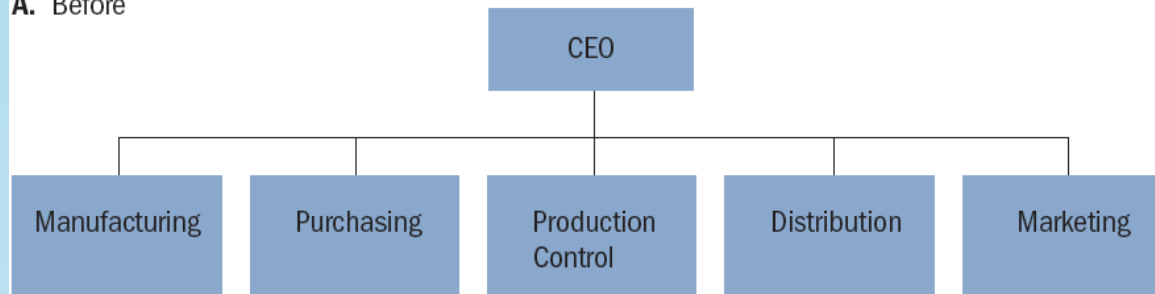
- The process by which managers redesign how tasks are bundled into roles and functions to improve organizational effectiveness
- The managers of a reengineered organization focus on business processes
 - Business process: An activity that cuts across functional boundaries and is vital to the quick delivery of goods and services or that promotes high quality or low costs

Developments in Revolutionary Change – Reengineering (cont.)

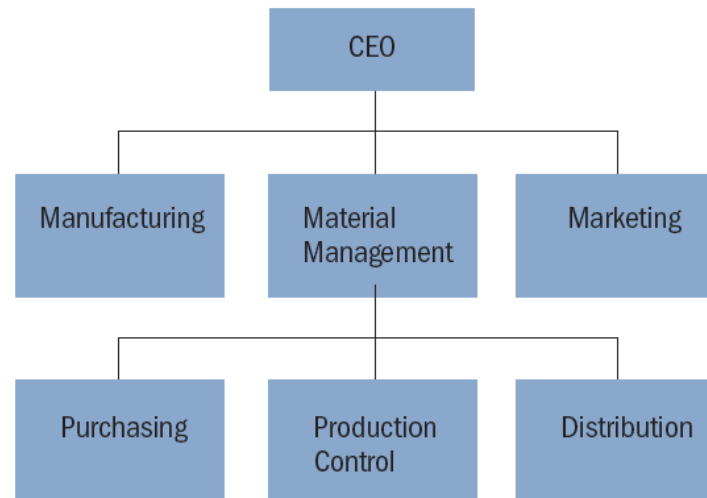
- Organizations that take up reengineering deliberately ignore the existing arrangement of tasks, roles, and work activities
- Guidelines for performing reengineering successfully include:
 - Organize around outcomes, not tasks
 - Have those who use the output of the process perform the process
 - Decentralize decision making to the point where the decision is made

Figure 10.4 – Improving Integration in Functional Structure in Creating a Materials Management Function

A. Before



B. After



Developments in Revolutionary Change (cont.)

- E-engineering – Companies' attempts to use information systems to improve their performance
- Restructuring: A process by which managers change task and authority relationships and redesign organizational structure and culture to improve organizational effectiveness

Developments in Revolutionary Change (cont.)

- Downsizing: The process by which managers streamline the organizational hierarchy and lay off managers and workers to reduce bureaucratic costs

Developments in Revolutionary Change (cont.)

- Innovation: The process by which organizations use their skills and resources to:
 - Develop New Goods And Services
 - Develop new production and operating systems so they can better respond to the needs of their customers

Managing Change: Action Research

- Action research: A strategy for generating and acquiring knowledge that managers can use to define an organization's desired future state
 - Used to plan a change program that allows the organization to reach that state

Figure 10.5 – Lewin's Three-Step Change Process

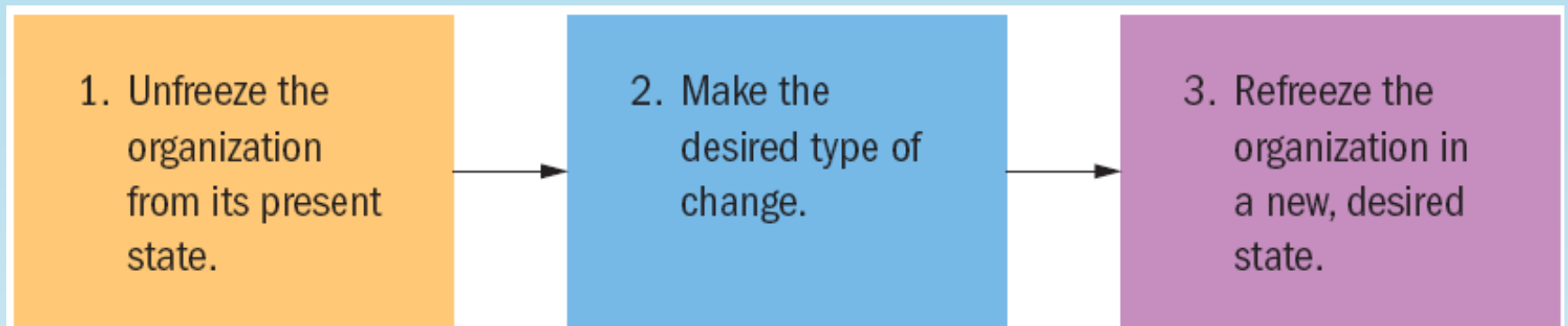
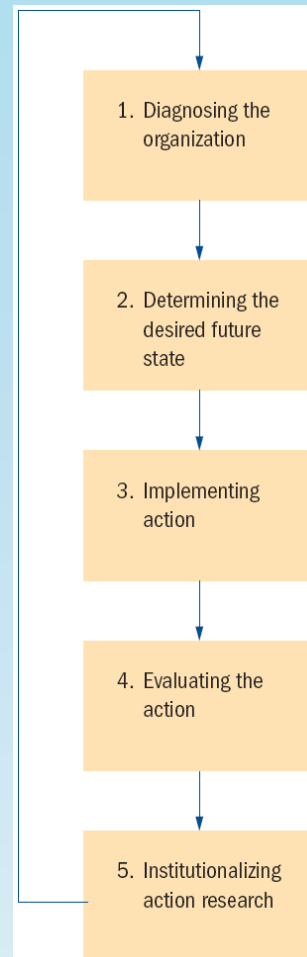


Figure 10–6: Steps in Action Research



Organizational Development (OD)

- Organizational development (OD): A series of techniques and methods that managers can use in their action research program to increase the adaptability of their organization

Organizational Development (cont.)

- OD techniques to deal with resistance to change
 - Education and communication
 - Participation and empowerment
 - Facilitation
 - Bargaining and negotiation
 - Manipulation
 - Coercion

Organizational Development (cont.)

- OD techniques to promote change
 - Counseling – Help people understand how their perception of the situation may not be right
 - Sensitivity training – Intense counseling in which group members, aided by a facilitator, learn how others perceive them and may learn how to deal more sensitively with others

Organizational Development (cont.)

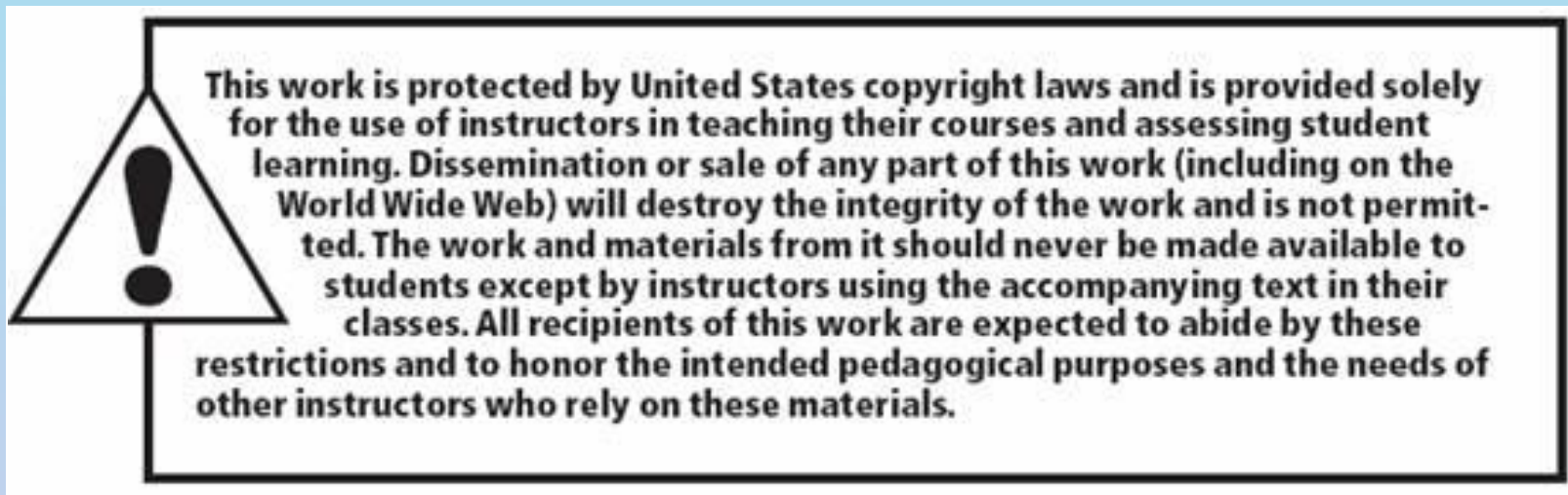
- Process consultation: A trained consultant works closely with a manager on the job to help the manager improve his or her interactions with other group members
- Team building: An OD technique in which a facilitator first observes the interactions of group members and then helps them become aware of ways to improve their work interactions

Organizational Development (cont.)

- Intergroup training: Uses team building to improve the joint activities of different functions or divisions
- Organizational mirroring: A facilitator helps two interdependent groups explore their perceptions of each other and their relations in order to improve their work interactions
 - Each group takes turns describing the other group

Organizational Development (cont.)

- Total organizational interventions
 - Organizational confrontation meeting: brings together all of the managers of an organization to meet to confront the issue of whether the organization is effectively meeting its goals



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